

## ILLINOIS ACTUARIAL MEMORANDUM REQUIREMENTS - SMALL GROUP

ITEM		DESCRIPTION	LOCATION IN MEMORANDUM
			See Page 8 for AM Format
Scope and Purpose		The scope and purpose of the filing, including all laws the filing is intended to comply with.	Act Memo Item 1a
Market		The market in which the products and plans are offered.	Act Memo Item 1b
Policy Forms		List all policy form numbers including HIOS Product Codes and Product Names	Act Memo Item 1c
Description of Benefits		A narrative description of the benefit that will be provided by the policy forms included in the filing.	Act Memo Item 1d
Marketing Method		A description of the marketing methods used to inform consumers of the availability of the policies.	Act Memo Item 1e
History of Rate Adjustments		The month, year and percentage amount of all previous rate revisions	Act Memo Item 2a
Effective Date of Requested Rate Increase		The month and year that the requested rate adjustment is scheduled to be implemented	Act Memo Item 2b
Months of Rate Guarantee		The number of months that the rate will be guaranteed to a small group policy holder	Act Memo Item 2c
SERFF Number of Prior Filing		SERFF Tracking Number of the Company's last small group rate filing in Illinois.	Act Memo Item 2d

Effective Date of Prior Filing		The effective date of the Company's last small group rate filing in Illinois.	Act Memo Item 2e
Proposed Percentage Rate Change		The requested rate adjustments for each product and plan.	Act Memo Item 2f
Reason for Rate Change		A narrative description of the significant factors driving the change in rates	Act Memo Item 2g
Average Annual Premium		The average premium for the entire single risk pool, before and after the requested rate adjustment.	Act Memo Item 2h
Number of Policyholders and Covered Lives		The number of Illinois policyholders and covered lives affected by the proposed rate increase.	Act Memo Item 2i
Dates of Service for the Experience Period Used to Develop Rates		The date of service of claims representing the base period experience used to develop the index rate for the single risk pool.	Act Memo Item 3a
Date Through Which Claims Were Paid		The date through which claim payments were made on claims incurred during the experience period.	Act Memo Item 3b
Estimated Allowed Claims During the Experience Period Used to Develop Rates		The actuary's best estimate of allowed claims for the single risk pool during the experience period that were used as a basis for developing the projected index rate.	Act Memo Item 3c
Method for Determining Allowed Claims		The method used to determine allowed claims (e.g. directly from claims system, paid claims plus required cost sharing)	Act Memo Item 3d
Incurred but Not Paid Claims		Support for the method used to develop the incurred but not paid claims on an allowed basis.	Act Memo Item 3e
Premium in Experience Period (Net of MLR Rebate)		The best estimate of premium earned during the experience period, both before and after the MLR rebates	Act Memo Item 3f

Adjustments to Allowed Claims During the Experience Period		Description and numerical support for adjustments made to the experience period allowed claims for the single risk pool that were used as a basis for developing the projected index rate to adjust for the potentially volatile nature of the experience.	Act Memo Items 4a and 4b
Changes to Benefits		A description of the average benefit changes (i.e. changes to covered services) between the experience period and the projection period, and a description of and support for the impact of each change on rates. Separately specify which changes were made to comply with Federal Law.	Act Memo Item 5a
Trend Factors (Cost and Utilization)		A description of how trend is developed for each major service category, and a detailed trend analysis supporting the factors used. Actual vs. expected trend for the past 36 months must also be provided.	Act Memo Item 5b
Projected Changes in the Demographics of the Population Insurance		A description and support for the development of factors used to adjusted the experience period claims to reflect differences in the average demographics of the population covered in the experience period and the population anticipated to be covered in the projection period.	Act Memo Item 5c
Projected Changes in the Morbidity of the Insured Population		A description and support for the development of factors used to adjust the experience period claims to reflect differences in the average morbidity of the population covered in the experience period and the population anticipated to be covered in the projection period.	Act Memo Item 5d
Other Projected Changes		A description and support for the development of any other factors used to adjust the experience period claims to reflect differences between the experience period and the population anticipated to be covered in the projection period.	Act Memo Item 5e
Methodology Used to Develop the Credibility Manual Rate		Description of the methodology used to develop the credibility manual index rate, if applicable.	Act Memo Item 6a

Source and Appropriateness of the Experience Used to Develop the Credibility Manual Rate		Description of the source data used to develop the credibility manual index rate and support that the data is appropriate	Act Memo Item 6b
Adjustments Made to Data Used to Develop the Credibility Manual Rate		Description and support for each adjustment made to the experience used to develop the credibility manual index rate, if applicable.	Act Memo Item 6c
Inclusion of Capitation Payments in Developing the Credibility Manual Rate		Description of how capitated services were accounted for in developing the credibility manual index rate, if applicable	Act Memo Item 6d
Credibility Methodology		Description of the methodology used to determine the credibility of the base period experience	Act Memo Item 7a
Credibility Level(s)		The credibility level assigned to the base period experience	Act Memo Item 7b
Covered Services - Essential Health Benefits		Description and percent of claims represented by newly added benefits which are Essential Health Benefits	Act Memo Item 8a
Covered Services- State Mandated Benefits Which Are Not Essential Health Benefits		Description and percent of claims represented by benefits which are Illinois State mandated benefits but are NOT Essential Health Benefits	Act Memo Item 8b
Covered Services - Eliminated Benefits		Description and percent of claims represented by benefits which are currently covered but will not be covered in the projection period.	Act Memo Item 8c
Covered Services- Additional Mandated Supplementary Benefits		Listing of benefits that will be covered on a mandatory basis in the projection period but are NOT Essential Health Benefits	Act Memo Item 8d
Covered Services - Changes in the Level of Covered Services		Description of benefits which are currently covered but will be covered at a different level in the projection period (e.g. change in the number of visits covered)	Act Memo Item 8e
Covered Services - EHB Substitutions		Description and support for any benefits substituted for Essential Health Benefits	Act Memo Item 8f

Credibility Adjusted Projected Claims		Estimated claims for the projection period, after adjusting for credibility, including appropriate support	Act Memo Item 9
Projected Index Rate		Estimated index rate for the projection period, representing the Essential Health Benefit portion of the credibility adjusted projected claims	Act Memo Item 10
Risk Transfer Payments		Demonstration of the calculation of the estimate of the risk transfer payments during the projection period	Act Memo Item 11
Plan Level Adjusted Index Rate		Demonstration of how the index rate was adjusted for the allowable plan level adjustments outlined in 45 CFR 154.80(d)(2)	Act Memo Item 12
AV Metal Values		Description of how the AV Metal Values for each of the plans was calculated, and support for use of alternate methodologies other than the AV calculator	Act Memo Item 13a
AV Pricing Values		Description of how the AV Pricing Values for each of the plans was calculated, and identification of the reference plan	Act Memo Item 13b
Paid to Allowed Ratio		Support for the average paid to allowed ratio during the projection period	Act Memo Item 14
Projected Non-Benefit Expenses, Risk and Profit		Support for proposed non-benefit expenses, risk margins, and profit margins	Act Memo Item 15a
Comparison of Current and Proposed Non-Benefit Expenses, Risk and Profit		A comparison of the amounts by prescribed expense category as a percent of premium and on a PMPM basis for both the current and proposed rates.	Act Memo Item 15b
Varying Non-Benefit Expenses By Plan		Support for non-benefit expense loads as a percent of premium that vary by plan	Act Memo Item 15c
Age Factors		Confirm the prescribed standardized factors were used.	Act Memo Item 16a

Geographic Factors		Proposed factors for used with the State defined geographic rating regions and support for any changes.	Act Memo Item 16b
Tobacco Factors		Proposed tobacco status categories and corresponding factors and support for any changes.	Act Memo Item 16c
Family Composition		Proposed family composition factors/methodology and demonstration that the premium developed is consistent with the premium developed using the methodology described in 45 CFR 147.102, paragraphs (c)(1) or (c)(2)	Act Memo Item 16d
Development of Rate Tables		Description of how the plan level adjusted index rate was normalized to the carrier's reference plan for used in developing age, geographic and tobacco status specific rates	Act Memo Item 17
Company Financial Position		Description of carrier's current financial position	Act Memo Item 18
Loss Ratio Requirements		Federal Medical Loss Ratio requirement	Act Memo Item 19a
Projected Federal MLR		Demonstration of the anticipated Federal MLR during the projection period	Act Memo Item 19b
Reliance		Disclosure of any information developed by other individuals that the actuary relied on in the development of rates.	Act Memo Item 20
Identification of the Certifying Actuary		The certifying actuary must identify himself/herself and indicate they are a member of the American Academy of Actuaries	Act Memo Item 21
Certification of the Index Rate		Certification that the index rate was calculated appropriately and in compliance with applicable laws and actuarial standards of practice.	Act Memo Item 21
Certification of the Plan Level Rates		Certification that plan level rates were developed using the index rate and only adjusting for allowable factors	Act Memo Item 21

Certification of Metal AV		Certification that the standard AV Calculator was used to determine the metal AV for each plan, or if an alternate methodology was used, certification that the alternate methodology is consistent with the AV Calculator	Act Memo Item 21
Certification of Geographic Factors		Certification that geographic factors reflect only differences in the costs of delivery (including both unit costs and provider practice patterns) and do NOT reflect differences in morbidity	Act Memo Item 21
Certification of Compliance with Applicable Federal Regulations		Certification that the proposed rates were developed in compliance with applicable Federal regulations	Act Memo Item 21
Certification of Compliance with Actuarial Standards of Practice		Certification that the filing has been prepared in compliance with ASOPs 8, 26, 31, and 41.	Act Memo Item 21

## FORMAT FOR ACTUARIAL MEMORANDUM

ITEM NUMBER	DESCRIPTION
<b>1. GENERAL INFORMATION</b>	
Act Memo Item 1a	Scope and Purpose
Act Memo Item 1b	Market
Act Memo Item 1c	Policy Forms
Act Memo Item 1d	Description of Benefits
Act Memo Item 1e	Marketing Method
<b>2. PROPOSED RATES</b>	
Act Memo Item 2a	History of Rate Adjustments
Act Memo Item 2b	Effective Date of Requested Rate Increase
Act Memo Item 2c	Months of Rate Guarantee
Act Memo Item 2d	SERFF Number of Prior Filing
Act Memo Item 2e	Effective Date of Prior Filing
Act Memo Item 2f	Proposed Percentage Rate Change
Act Memo Item 2g	Reason for Rate Change
Act Memo Item 2h	Average Annual Premium
Act Memo Item 2i	Number of Policyholders and Covered Lives
<b>3. EXPERIENCE PERIOD PREMIUM AND CLAIMS</b>	
Act Memo Item 3a	Dates of Service for the Experience Period Used to Develop Rates
Act Memo Item 3b	Date Through Which Claims Were Paid
Act Memo Item 3c	Estimated Allowed Claims During the Experience Period Used to Develop Rates
Act Memo Item 3d	Method for Determining Allowed Claims
Act Memo Item 3e	Incurred but Not Paid Claims
Act Memo Item 3f	Premium in Experience Period (Net of MLR Rebate)
<b>4. ADJUSTMENTS TO ALLOWED CLAIMS DURING THE EXPERIENCE PERIOD</b>	
Act Memo Items 4a and 4b	Adjustments to Allowed Claims During the Experience Period



## **5. PROJECTION FACTORS**

Act Memo Item 5a	Changes to Benefits
Act Memo Item 5b	Trend Factors (Cost and Utilization)
Act Memo Item 5c	Projected Changes in the Demographics of the Population Insurance
Act Memo Item 5d	Projected Changes in the Morbidity of the Insured Population
Act Memo Item 5e	Other Projected Changes

## **6. CREDIBILITY MANUAL RATE ADJUSTMENT**

Act Memo Item 6a	Methodology Used to Develop the Credibility Manual Rate
Act Memo Item 6b	Source and Appropriateness of the Experience Used to Develop the Credibility Manual Rate
Act Memo Item 6c	Adjustments Made to Data Used to Develop the Credibility Manual Rate
Act Memo Item 6d	Inclusion of Capitation Payments in Developing the Credibility Manual Rate

## **7. CREDIBILITY**

Act Memo Item 7a	Credibility Methodology
Act Memo Item 7b	Credibility Level(s)

## **8. COVERED SERVICES**

Act Memo Item 8a	Covered Services - Essential Health Benefits
Act Memo Item 8b	Covered Services- State Mandated Benefits Which Are Not Essential Health Benefits
Act Memo Item 8c	Covered Services - Eliminated Benefits
Act Memo Item 8d	Covered Services- Additional Mandated Supplementary Benefits
Act Memo Item 8e	Covered Services - Changes in the Level of Covered Services
Act Memo Item 8f	Covered Services - EHB Substitutions

## **9. CREDIBILITY ADJUSTED PROJECTED CLAIMS**

## **10. PROJECTED INDEX RATE**

**11. RISK TRANSFER PAYMENTS****12. PLAN LEVEL ADJUSTED INDEX RATE****13. ACTUARIAL VALUES**

Act Memo Item 13a	AV Metal Values
Act Memo Item 13b	AV Pricing Values

**14. PAID TO ALLOWED RATIO** Paid to Allowed Ratio**15. NON-BENEFIT EXPENSES INCLUDING RISK AND PROFIT MARGIN**

Act Memo Item 15a	Projected Non-Benefit Expenses, Risk and Profit
Act Memo Item 15b	Comparison of Current and Proposed Non-Benefit Expenses, Risk and Profit
Act Memo Item 15c	Varying Non-Benefit Expenses By Plan

**16. ADJUSTED COMMUNITY RATING FACTORS**

Act Memo Item 16a	Age Factors
Act Memo Item 16b	Geographic Factors
Act Memo Item 16c	Tobacco Factors
Act Memo Item 16d	Family Composition

**17. DEVELOPMENT OF RATE TABLES****18. COMPANY FINANCIAL POSITION****19. FEDERAL MEDICAL LOSS RATIO REQUIREMENTS**

Act Memo Item 19a	Loss Ratio Requirements
Act Memo Item 19b	Projected Federal MLR

**20. RELIANCE****21. CERTIFICATIONS OF COMPLIANCE**

Act Memo Item 21	Identification of the Certifying Actuary
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Act Memo Item 21  
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Certification of the Index Rate  
Certification of the Plan Level Rates  
Certification of Metal AV  
Certification of Geographic Factors  
Certification of Compliance with Applicable Federal Regulations  
Certification of Compliance with Actuarial Standards of Practice